

**SPECIAL STATE BANKING BOARD MEETING
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

August 20, 2013

Chairman Entringer called the Board into open session at 9:03 a.m., Tuesday, August 20, 2013, by conference call.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Office*)
Nancy Baerwald, Member (*Cando*)
Linda Beall, Member (*Velva*)
Bill Daniel, Member (*Bismarck*)
Kim Larson, Member (*Casselton*)
Anita Quale, Member (*Watford City*)
Tom Stennes, Member (*Harwood*)

MEMBERS ABSENT: None

ALSO PRESENT: Suzette Richardson, Administrative Staff Officer (*Office*)
Jan Murtha, Assistant Attorney General (*Bismarck*)
Robert Engen (*Tolna*)

ACTING SECRETARY

It was moved by Member Baerwald, seconded by Member Quale, and unanimously carried that Suzette Richardson be approved as Acting Secretary.

CHANGE OF CONTROL APPLICATION

Chairman Entringer reviewed his Memorandum dated August 12, 2013, regarding the application by Tolna Bancorp, Inc., to acquire 100% of the voting

shares of McVile Financial Services, Inc., which controls McVile State Bank, McVile.

Chairman Entringer indicated the Department received the application on July 1, 2013, and the application was deemed complete on July 23, 2013. Chairman Entringer indicated notice of the application was published in the *Lakota American*, Lakota, on July 31, 2013; the comment period ended August 12, 2013; and no comments or requests for copies of the application were received.

Chairman Entringer indicated his Memorandum outlines the application criteria regarding a change of control application per North Dakota Century Code Section 6-08-08.1(4).

Chairman Entringer indicated as a result of the proposed transaction, Tolna Bancorp, Inc. will exceed the 25% threshold which constitutes a change of control. Chairman Entringer indicated in order to fund the purchase the applicant intends to borrow a portion of the purchase price and also receive an equity injection from Robert Engen through the purchase of applicant stock.

Chairman Entringer indicated there will be no change in senior management of McVile State Bank; however, once the future merger of McVile State Bank with and into The Farmers & Merchants State Bank of Tolna is consummated this matter will be reevaluated. Chairman Entringer indicated the only change in the Board of Directors of McVile State Bank will be the addition of Robert Engen.

Robert Engen, President of The Farmers & Merchants State Bank of Tolna, indicated he believes this will be a very easy transition as both the McVile and Tolna banks are within the same community, adding that the management and staff of McVile State Bank are very excited. President Engen indicated the proposed merger between the banks was considered twice previously, and believes it will be a very positive transaction.

When asked by Chairman Entringer the proposed timeframe to merge the banks, President Engen indicated hopefully by the first quarter of 2014. President Engen indicated if this application is approved, McVile Financial Services, Inc. will immediately be eliminated and the two banks will be operated separately. President Engen continued that the most time consuming task will be merging the McVile computer system with Tolna. President Engen indicated there will be the

benefit of a full time auditor on staff, as well as eliminating duplicated services in one of the communities.

Chairman Entringer informed President Engen a merger application will need to be submitted to the Federal Deposit Insurance Corporation and this Department.

Chairman Entringer indicated the Department recommends approval of the change of control by Tolna Bancorp, Inc., to acquire 100% of the voting shares of McVile Financial Services, Inc., which controls McVile State Bank, McVile.

It was moved by Member Beall, seconded by Member Daniel, and unanimously carried, to approve the change of control application by Tolna Bancorp, Inc., to acquire 100% of the voting shares of McVile Financial Services, Inc., and indirectly acquire McVile State Bank, McVile.

Chairman Entringer informed President Engen there is not an Order regarding the change of control application, and that the approval letter will be emailed today.

Member Larson stated he feels the change of control and future merger are good transactions, and congratulated President Engen.

The meeting adjourned at 9:15 a.m.

Robert J. Entringer, Chairman

Suzette Richardson, Acting Secretary